

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

SPECIAL ANNOUNCEMENT

Notice 2012-2, page 538.

This notice provides interim guidance under section 6050W of the Code to payment settlement entities (as defined in Regulations section 1.6050W-1(a)(4)(i)) (PSEs) that are United States payors or United States middlemen (each as defined in Regulations section 1.6049-5(c)(5)) regarding the circumstances under which the return of information required under Regulations section 1.6050W-1(a)(1) is required with respect to a payment to an offshore account. Treasury and the Service intend to amend the regulations under section 6050W to reflect the guidance provided in this notice and Notice 2011-71, 2011-37 I.R.B. 233. PSEs may rely on the interim guidance in this notice until the regulations are amended.

INCOME TAX

Rev. Rul. 2012-30, page 534.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for October 2012.

Notice 2012-2, page 538.

This notice provides interim guidance under section 6050W of the Code to payment settlement entities (as defined in Regulations section 1.6050W-1(a)(4)(i)) (PSEs) that are United States payors or United States middlemen (each as defined in Regulations section 1.6049-5(c)(5)) regarding the circumstances under which the return of information required under Regulations section 1.6050W-1(a)(1) is required with respect to a payment to an offshore account. Treasury and the Service

intend to amend the regulations under section 6050W to reflect the guidance provided in this notice and Notice 2011-71, 2011-37 I.R.B. 233. PSEs may rely on the interim guidance in this notice until the regulations are amended.

Rev. Proc. 2012-41, page 539.

This procedure sets forth the 2013 cost-of-living adjustments to certain items due to inflation as required under various provisions of the Code and Service guidance. This procedure does not include the following items: the tax rate tables under section 1, the adoption credit under section 23, the child tax credit under section 24, the Hope Scholarship and Lifetime Learning Credits under section 25A, the earned income credit under section 32, the standard deduction under section 63, the overall limitation on itemized deductions under section 68, the adoption assistance exclusion under section 137, the personal exemption under section 151, the interest on education loans under section 221, and the unified credit against estate tax for estates of decedents under section 2010(c). Those items will be addressed in future guidance.

(Continued on the next page)

Finding Lists begin on page ii.



EXEMPT ORGANIZATIONS

Announcement 2012–37, page 543.

The IRS has revoked its determination that American Lithuanian Childcare Association of Chicago, IL; Angel Wings Foundation of Orem, UT; Concord International High School, Inc., of Los Angeles, CA; Contra Costa Amateur Cheerleading Association, Inc., of Concord, CA; Golden Rain Foundation of Laguna Woods of Laguna Woods, CA; Grandma's Child Care of Cassopolis, MI; Holy Cross Canoga Park of Canoga Park, CA; Innovation Treatment Centers, Inc., of Rialto, CA; Pacific Epilepsy Society of Puunene, HI; Play 4 Life, Inc., of New York, NY; Scruggs & Associates Family Counseling Center, Inc., of Stafford, TX; Social and Economic Rights Action Center of Gaithersburg, MD; Social and Economic Rights Action Center of Washington, DC; The Retired Enlisted Association Incorporated Auxiliary #47 of Fayetteville, NC; Treasures for the Kingdom of Allen, TX; World Health and Education Foundation of Danville, CA, qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Code.

ESTATE TAX

Rev. Proc. 2012–41, page 539.

This procedure sets forth the 2013 cost-of-living adjustments to certain items due to inflation as required under various provisions of the Code and Service guidance. This procedure does not include the following items: the tax rate tables under section 1, the adoption credit under section 23, the child tax credit under section 24, the Hope Scholarship and Lifetime Learning Credits under section 25A, the earned income credit under section 32, the standard deduction under section 63, the overall limitation on itemized deductions under section 68, the adoption assistance exclusion under section 137, the personal exemption under section 151, the interest on education loans under section 221, and the unified credit against estate tax for estates of decedents under section 2010(c). Those items will be addressed in future guidance.

GIFT TAX

Rev. Proc. 2012–41, page 539.

This procedure sets forth the 2013 cost-of-living adjustments to certain items due to inflation as required under various provisions of the Code and Service guidance. This procedure does not include the following items: the tax rate tables under section 1, the adoption credit under section 23, the child tax credit under section 24, the Hope Scholarship and Lifetime Learning Credits under section 25A, the earned income credit under section 32, the standard deduction under section 63, the overall limitation on itemized deductions under section 68, the adoption assistance exclusion under section 137, the personal exemption under section 151, the interest on education loans under section 221, and the unified credit against estate tax for

estates of decedents under section 2010(c). Those items will be addressed in future guidance.

EXCISE TAX

Rev. Proc. 2012–41, page 539.

This procedure sets forth the 2013 cost-of-living adjustments to certain items due to inflation as required under various provisions of the Code and Service guidance. This procedure does not include the following items: the tax rate tables under section 1, the adoption credit under section 23, the child tax credit under section 24, the Hope Scholarship and Lifetime Learning Credits under section 25A, the earned income credit under section 32, the standard deduction under section 63, the overall limitation on itemized deductions under section 68, the adoption assistance exclusion under section 137, the personal exemption under section 151, the interest on education loans under section 221, and the unified credit against estate tax for estates of decedents under section 2010(c). Those items will be addressed in future guidance.

ADMINISTRATIVE

Rev. Proc. 2012–41, page 539.

This procedure sets forth the 2013 cost-of-living adjustments to certain items due to inflation as required under various provisions of the Code and Service guidance. This procedure does not include the following items: the tax rate tables under section 1, the adoption credit under section 23, the child tax credit under section 24, the Hope Scholarship and Lifetime Learning Credits under section 25A, the earned income credit under section 32, the standard deduction under section 63, the overall limitation on itemized deductions under section 68, the adoption assistance exclusion under section 137, the personal exemption under section 151, the interest on education loans under section 221, and the unified credit against estate tax for estates of decedents under section 2010(c). Those items will be addressed in future guidance.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and en-

force the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are compiled semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations,

court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 1.—Tax Imposed

The Service provides an inflation adjustment to the amount used to reduce the net unearned income of a minor child subject to the kiddie tax for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

The Service provides inflation adjustments to the amounts used to calculate the State housing credit ceiling used in determining the low-income housing credit, and the per low-income unit qualified basis amount, for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 59.—Other Definitions and Special Rules for the Alternative Minimum Tax

The Service provides an inflation adjustment to the exemption amount used in computing the alternative minimum tax for a minor child subject to the kiddie tax for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 62.—Adjusted Gross Income Defined

The Service provides inflation adjustments to the amounts an eligible employer may pay in calendar year 2013 to certain welders and heavy equipment mechanics for rig-related expenses that are deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41, 2002-1 C.B. 1098. See Rev. Proc. 2012-41, page 539.

Section 135.—Income From United States Savings Bonds Used to Pay Higher Education Tuition and Fees

The Service provides inflation adjustments to the limitation on the exclusion of income from United States savings bonds for taxpayers who pay qualified higher education expenses for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 146.—Volume Cap

The Service provides inflation adjustments to the amounts used to determine the State ceiling for the volume cap of private activity bonds for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 147.—Other Requirements Applicable to Certain Private Activity Bonds

The Service provides an inflation adjustment to the loan limit amount on agricultural bonds for first-time farmers for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 148.—Arbitrage

26 C.F.R. 1.148-5: Yield and valuation of investment.

The Service provides inflation adjustments for determining in the calendar year 2013 whether a broker's commission or similar fee with respect to the acquisition of a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable. The Service provides an inflation adjustment to the computation credit determined under permission to rely on § 1.148-3(d)(4) of the proposed Income Tax Regulations for bond years ending in 2013. See Rev. Proc. 2012-41, page 539.

Section 213.—Medical, Dental, etc., Expenses

The Service provides inflation adjustments to the limitations on the amount of eligible long-term care premiums includible in the term medical care for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 220.—Archer MSAs

The Service provides inflation adjustments to the amounts used to determine whether a health plan is a high deductible health plan for purposes of determining whether an individual is eligible for a deduction for cash paid to a medical savings account for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 512.—Unrelated Business Taxable Income

The Service provides an inflation adjustment to the maximum amount of annual dues that can be paid to certain agricultural or horticultural organizations without any portion being treated as unrelated trade or business income by reason of any benefits or privileges available to members for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 513.—Unrelated Trade or Business

The Service provides an inflation adjustment to the maximum cost of a low cost article for taxable years beginning in 2013. Funds raised through a charity's distribution of low cost articles will not be treated as unrelated business income to the charity. See Rev. Proc. 2012-41, page 539.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month

of November 2012. See Rev. Rul. 2012-30, page 534.

Section 877.—Expatriation to Avoid Tax

The Service provides an inflation adjustment to the amount used for calendar year 2013 to determine whether an individual's loss of United States citizenship had the avoidance of United States tax as one of its principal purposes. See Rev. Proc. 2012-41, page 539.

Section 877A.—Tax Responsibilities of Expatriation

The Service provides an inflation adjustment to the amount that reduces the amount that would be includible in the gross income of a covered expatriate for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 911.—Citizens or Residents of the United States Living Abroad

The Service provides an inflation adjustment to the amount of foreign earned income that may be excluded from gross income for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate and the

long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for October 2012.

Rev. Rul. 2012-30

This revenue ruling provides various prescribed rates for federal income tax purposes for November 2012 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2012-30 TABLE 1
Applicable Federal Rates (AFR) for November 2012

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	.22%	.22%	.22%	.22%
110% AFR	.24%	.24%	.24%	.24%
120% AFR	.26%	.26%	.26%	.26%
130% AFR	.29%	.29%	.29%	.29%
<i>Mid-term</i>				
AFR	.89%	.89%	.89%	.89%
110% AFR	.98%	.98%	.98%	.98%
120% AFR	1.07%	1.07%	1.07%	1.07%
130% AFR	1.16%	1.16%	1.16%	1.16%
150% AFR	1.34%	1.34%	1.34%	1.34%
175% AFR	1.57%	1.56%	1.56%	1.55%
<i>Long-term</i>				
AFR	2.40%	2.39%	2.38%	2.38%
110% AFR	2.65%	2.63%	2.62%	2.62%
120% AFR	2.89%	2.87%	2.86%	2.85%
130% AFR	3.13%	3.11%	3.10%	3.09%

REV. RUL. 2012-30 TABLE 2
Adjusted AFR for November 2012

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
adjusted AFR	.24%	.24%	.24%	.24%
<i>Mid-term</i>				
adjusted AFR	.98%	.98%	.98%	.98%
<i>Long-term</i>				
adjusted AFR	2.84%	2.82%	2.81%	2.80%

REV. RUL. 2012-30 TABLE 3
Rates Under Section 382 for November 2012

Adjusted federal long-term rate for the current month	2.84%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	2.87%

REV. RUL. 2012-30 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for November 2012

Note: Under Section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.38%
Appropriate percentage for the 30% present value low-income housing credit	3.16%

REV. RUL. 2012-30 TABLE 5

Rate Under Section 7520 for November 2012

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	1.0%
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Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 2032A.—Valuation of Certain Farm, etc., Real Property

The Service provides an inflation adjustment to the maximum amount by which the value of certain farm and other qualified real property included in a decedent's gross estate may be decreased for purposes of valuing the estate of a decedent dying in calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 2503.—Taxable Gifts

The Service provides an inflation adjustment to the amount of gifts that may be made to a person in a calendar year without including the amount in taxable gifts for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 2523.—Gift to Spouse

The Service provides an inflation adjustment to the amount of gifts that may be made in a calendar year to a spouse who is not a citizen of the United States without including the amount in taxable gifts for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 4161.—Imposition of Tax

The Service provides an inflation adjustment to the amount of excise tax imposed for calendar year 2013 on the first sale by a manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows. See Rev. Proc. 2012-41, page 539.

Section 4261.—Passenger Air Transportation Excise Tax

The Service provides inflation adjustments for excise taxes on domestic and international passenger air transportation for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 6033.—Returns by Exempt Organizations

The Service provides an inflation adjustment to the amount of dues certain exempt organizations with nondeductible lobbying expenditures can charge and still be excepted from reporting requirements for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 6039F.—Notice of Large Gifts Received From Foreign Persons

The Service provides an inflation adjustment to the amount of gifts received in a taxable year from foreign persons that triggers a reporting requirement for a United States person for taxable years beginning in 2013. See Rev. Proc. 2012-41, page 539.

Section 6323.—Validity and Priority Against Certain Persons

The Service provides inflation adjustments for calendar year 2013 to (1) the maximum amount of a casual sale of personal property below which a federal tax lien will not be valid against a purchaser of the property, and (2) the maximum amount of a contract for the repair or improvement of certain residential property at or below which a federal tax lien will not be valid against a mechanic's lienor. See Rev. Proc. 2012-41, page 539.

Section 6334.—Property Exempt From Levy

The Service provides inflation adjustments to the value of certain property exempt from levy (fuel, provisions, furniture, household personal effects, arms for personal use, livestock, poultry, and books and tools of a trade, business, or profession) for calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 6601.—Interest on Underpayment, Nonpayment or Extension of Time for Payment, of Tax

The Service provides an inflation adjustment to the amount used to determine the amount of interest charged on a certain portion of the estate tax payable in installments for the estate of a decedent dying in calendar year 2013. See Rev. Proc. 2012-41, page 539.

Section 7430.—Awarding of Costs and Certain Fees

The Service provides an inflation adjustment to the hourly limit on attorney fees incurred in calendar year 2013 that may be awarded in a judgment or settlement

of an administrative or judicial proceeding concerning the determination, collection, or refund of tax, interest, or penalty. See Rev. Proc. 2012-41, page 539.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Section 7702B.—Treatment of Qualified Long-Term Care Insurance

The Service provides an inflation adjustment to the stated dollar amount for calendar year 2013 of the *per diem* limitation regarding periodic payments received under a qualified long-term care insurance contract or periodic payments received under a life insurance contract that are treated as paid by reason of the death of a chronically ill individual. See Rev. Proc. 2012-41, page 539.

Section 7872.—Treatment of Loans With Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2012. See Rev. Rul. 2012-30, page 534.

Part III. Administrative, Procedural, and Miscellaneous

Documentation Requirements Under Section 6050W

Notice 2012-2

PURPOSE

This notice provides interim guidance to payment settlement entities (as defined in § 1.6050W-1(a)(4)(i)) (PSEs) that are United States payors or United States middlemen (each as defined in § 1.6049-5(c)(5)) (U.S. payors) regarding the circumstances under which the return of information required under § 1.6050W-1(a)(1) is required with respect to a payment to an account maintained outside the United States. This notice supplements, but does not modify or supersede, the guidance provided in Notice 2011-71, 2011-37 I.R.B. 233. The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to amend the regulations under section 6050W to reflect the guidance provided in this notice and Notice 2011-71. PSEs may rely on the interim guidance in this notice until the regulations are amended.

BACKGROUND

Section 6050W of the Internal Revenue Code was added by section 3091 of the Housing Assistance Tax Act of 2008, Div. C of Pub. L. No. 110-289, 122 Stat. 2653 (the Act), and requires information returns to be made by certain payors with respect to payments made to a participating payee (generally meaning a merchant that accepts a payment card or payment from a third party settlement organization) in settlement of payment card transactions and third party payment network transactions. Section 6050W(d)(1)(B) provides that, except as provided by the Secretary in regulations or other guidance, the term participating payee does not include any person with a foreign address. The final regulations prescribe the circumstances in which a PSE is required to report payments made to a participating payee that has a foreign address. Specifically, the final regulations provide that a PSE that is not a U.S. payor is not required to report payments made to a participating payee that does not

have a U.S. address as long as the PSE neither knows nor has reason to know that the payee is a United States person (U.S. person). If the participating payee has any U.S. address, a PSE may treat the participating payee as a foreign person only if the PSE has in its files documentation upon which the PSE may rely to treat the payment as made to a foreign person in accordance with § 1.1441-1(e)(1)(ii).

The final regulations also provide that a PSE that is a U.S. payor is not required to report payments to payees with a foreign address as long as, prior to payment, the payee has provided the payor with documentation upon which the payor may rely to treat the payment as made to a foreign person in accordance with § 1.1441-1(e)(1)(ii). In addition, the final regulations provide a presumption under which a PSE that is a U.S. payor making a payment outside the United States (within the meaning of § 1.6049-5(e)) to an offshore account (as defined in § 1.6049-5(c)(1)) need not report payments to a participating payee with only a foreign address if the name of the participating payee indicates that it is a foreign *per se* corporation listed in § 301.7701-2(b)(8)(i) and the PSE neither knows nor has reason to know that the participating payee is a U.S. person. The final regulations also provide a grace period after account opening to collect documentation by applying the grace period rules of § 1.6049-5(d)(2)(ii) if the participating payee has only a foreign address.

The final regulations apply to returns for calendar years beginning after December 31, 2010. The final regulations also provide a transition rule, which provides that, for payments made pursuant to contractual obligations entered into before January 1, 2011, a PSE that is a U.S. payor is not required to report payments made to a participating payee with a foreign address as long as the U.S. payor neither knows nor has reason to know that the payee is a U.S. person. For this purpose, a renewal of such a contractual obligation will not result in a new contractual obligation unless there is a material modification of the contractual obligation.

Notice 2011-71 states that the Treasury Department and the IRS intend

to amend the regulations under section 6050W to provide that a PSE that is a U.S. payor will only be required to make the return of information required under § 1.6050W-1(a)(1) with respect to a payment made outside the United States to an offshore account if any of the following applies: (i) there is a U.S. address associated with the participating payee (whether a residence address or correspondence address); (ii) the PSE has standing instructions to direct the payment to a bank account maintained in the United States; (iii) the participating payee submits for payment in U.S. dollars; or (iv) the PSE knows or has reason to know that the participating payee is a U.S. person.

DISCUSSION

The Treasury Department and the IRS have received a comment expressing uncertainty about the circumstances under which a payment is considered made outside the United States to an offshore account for purposes of section 6050W. In response, the Treasury Department and the IRS intend to amend the regulations under section 6050W to provide an alternative method for a PSE to determine whether it must make the return of information required under § 1.6050W-1(a)(1). The alternative method will apply only to a PSE that: (i) is a U.S. payor; (ii) makes a payment to an account maintained outside the United States by the PSE or, if the PSE does not maintain an account of the participating payee, makes a payment to an account maintained outside the United States by another financial institution (in either case without regard to whether the payment is made outside the United States); and (iii) has reasonably determined, based on all the information obtained or reviewed in connection with the establishment or maintenance of the contractual relationship with the participating payee (including information required to be obtained or reviewed under procedures required to be established under and compliant with 31 CFR § 103.121(b)), that the participating payee is doing business outside the United States. In such case, the PSE will only be required to make the return of information required under § 1.6050W-1(a)(1) if any

of the following applies: (i) there is a U.S. address associated with the participating payee (whether a residence address or correspondence address); (ii) the PSE has standing instructions to direct the payment to a bank account maintained in the United States; (iii) the participating payee submits for payment in U.S. dollars; or (iv) the PSE knows or has reason to know that the participating payee is a U.S. person. Notwithstanding the preceding sentence, a PSE will not be required to make the return of information required under § 1.6050W-1(a)(1) if the PSE obtains from the participating payee a valid

Form W-8 or documentary evidence establishing the payee's non-U.S. status and the PSE does not know that the payee is a U.S. person. For purposes of section 6050W, an account is maintained outside the United States if it is maintained at an office or branch of a financial institution at any location outside the United States and outside the territories of the United States.

information regarding this notice, please contact Ms. Nishida at (202) 622-5399 (not a toll-free call).

26 CFR 601.602: Tax forms and instructions. (Also Part I, §§ 1, 42, 59, 62, 135, 146, 147, 148, 213, 220, 512, 513, 877, 877A, 911, 2032A, 2503, 2523, 4161, 4261, 6033, 6039F, 6323, 6334, 6601, 7430, 7702B; 1.148-5.)

DRAFTING INFORMATION

The principal author of this notice is Danielle Nishida of the Office of Associate Chief Counsel (International). For further

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SECTION 4. EFFECTIVE DATE

SECTION 5. DRAFTING INFORMATION

SECTION 1. PURPOSE

This revenue procedure sets forth inflation-adjusted items for 2013.

SECTION 2. CHANGES

This revenue procedure does not include the following items: the tax rate tables under § 1 of the Internal Revenue Code (Code), the adoption credit under § 23, the child tax credit under § 24, the Hope Scholarship and Lifetime Learning Credits under § 25A, the earned income credit under § 32, the standard deduction under § 63, the overall limitation on itemized deductions under § 68, the qualified transportation fringe benefit under § 132(f), the adoption assistance exclusion under § 137, the personal exemption under § 151, the election to expense certain depreciable assets under § 179, the interest on education loans under § 221, and the unified credit against estate tax for estates of decedents under § 2010(c). Those items will be addressed in future guidance.

SECTION 3. 2013 ADJUSTED ITEMS

.01 *Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax").* For taxable years beginning in 2013, the amount in § 1(g)(4)(A)(ii)(I), which is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is \$1,000. This \$1,000 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation. The same \$1,000 amount is used for purposes of § 1(g)(7) (that is, to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax"). For example, one of the requirements for

the parental election is that a child's gross income is more than the amount referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child's gross income for 2013 must be more than \$1,000 but less than \$10,000.

.02 *Rehabilitation Expenditures Treated as Separate New Building.* For calendar year 2013, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$6,400.

.03 *Low-Income Housing Credit.* For calendar year 2013, the amount used under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) \$2.25 multiplied by the State population, or (2) \$2,590,000.

.04 *Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax."* For taxable years beginning in 2013, for a child to whom the § 1(g) "kiddie tax" applies, the exemption amount under §§ 55 and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child's earned income for the taxable year, plus (2) \$7,150.

.05 *Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees under Accountable Plans.* For calendar year 2013, an eligible employer may pay certain welders and heavy equipment mechanics an amount of up to \$17 per hour for rig-related expenses that is deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41, 2002-1 C.B. 1098. If the employer provides fuel or otherwise reimburses fuel expenses, up to \$10 per hour is deemed substantiated if paid under Rev. Proc. 2002-41.

.06 *Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses.* For taxable

years beginning in 2013, the exclusion under § 135, regarding income from United States savings bonds for taxpayers who pay qualified higher education expenses, begins to phase out for modified adjusted gross income above \$112,050 for joint returns and \$74,700 for other returns. The exclusion is completely phased out for modified adjusted gross income of \$142,050 or more for joint returns and \$89,700 or more for other returns.

.07 *Private Activity Bonds Volume Cap.* For calendar year 2013, the amounts used under § 146(d)(1) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$95 multiplied by the State population, or (2) \$291,875,000.

.08 *Loan Limits on Agricultural Bonds.* For calendar year 2013, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$501,100.

.09 *General Arbitrage Rebate Rules.* For bond years ending in 2013, the amount of the computation credit determined under the permission to rely on § 1.148-3(d)(4) of the proposed Income Tax Regulations is \$1,590.

.10 *Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow.* For calendar year 2013, under § 1.148-5(e)(2)(iii)(B)(1), a broker's commission or similar fee for the acquisition of a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable if (1) the amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of (A) \$37,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$4,000; and (2) the issuer does

not treat more than \$106,000 in brokers' commissions or similar fees as qualified administrative costs for all guaranteed investment contracts and investments for

yield restricted defeasance escrows purchased with gross proceeds of the issue.

.11 *Eligible Long-Term Care Premiums.* For taxable years beginning in 2013,

the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term "medical care," are as follows:

<u>Attained Age Before the Close of the Taxable Year</u>	<u>Limitation on Premiums</u>
40 or less	\$360
More than 40 but not more than 50	\$680
More than 50 but not more than 60	\$1,360
More than 60 but not more than 70	\$3,640
More than 70	\$4,550

.12 *Medical Savings Accounts.*

(1) *Self-only coverage.* For taxable years beginning in 2013, the term "high deductible health plan" as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than \$2,150 and not more than \$3,200, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$4,300.

(2) *Family coverage.* For taxable years beginning in 2013, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less than \$4,300 and not more than \$6,450, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$7,850.

.13 *Treatment of Dues Paid to Agricultural or Horticultural Organizations.* For taxable years beginning in 2013, the limitation under § 512(d)(1), regarding the exemption of annual dues required to be paid by a member to an agricultural or horticultural organization, is \$155.

.14 *Insubstantial Benefit Limitations for Contributions Associated with Charitable Fund-Raising Campaigns.*

(1) *Low cost article.* For taxable years beginning in 2013, for purposes of defining the term "unrelated trade or business" for certain exempt organizations under § 513(h)(2), "low cost articles" are articles costing \$10.20 or less.

(2) *Other insubstantial benefits.* For taxable years beginning in 2013, under § 170, the \$5, \$25, and \$50 guidelines in section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471 (as amplified by Rev. Proc. 92-49, 1992-1 C.B. 987, and modified by Rev. Proc. 92-102, 1992-2 C.B. 579), for the value of insubstantial benefits that may be received by a donor in return for a con-

tribution, without causing the contribution to fail to be fully deductible, are \$10.20, \$51, and \$102, respectively.

.15 *Expatriation to Avoid Tax.* For calendar year 2013, an individual with "average annual net income tax" of more than \$155,000 for the five taxable years ending before the date of the loss of United States citizenship under § 877(a)(2)(A) is a covered expatriate for purposes of § 877A(g)(1).

.16 *Tax Responsibilities of Expatriation.* For taxable years beginning in 2013, the amount that would be includible in the gross income of a covered expatriate by reason of § 877A(a)(1) is reduced (but not below zero) by \$668,000.

.17 *Foreign Earned Income Exclusion.* For taxable years beginning in 2013, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$97,600.

.18 *Valuation of Qualified Real Property in Decedent's Gross Estate.* For an estate of a decedent dying in calendar year 2013, if the executor elects to use the special use valuation method under § 2032A for qualified real property, the aggregate decrease in the value of qualified real property resulting from electing to use § 2032A for purposes of the estate tax cannot exceed \$1,070,000.

.19 *Annual Exclusion for Gifts.*

(1) For calendar year 2013, the first \$14,000 of gifts to any person (other than gifts of future interests in property) are not included in the total amount of taxable gifts under § 2503 made during that year.

(2) For calendar year 2013, the first \$143,000 of gifts to a spouse who is not a citizen of the United States (other than gifts of future interests in property) are not included in the total amount of taxable gifts under §§ 2503 and 2523(i)(2) made during that year.

.20 *Tax on Arrow Shafts.* For calendar year 2013, the tax imposed under § 4161(b)(2)(A) on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is \$0.48 per shaft.

.21 *Passenger Air Transportation Excise Tax.* For calendar year 2013, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is \$3.90. For calendar year 2013, the tax under § 4261(c)(1) on any amount paid (whether within or without the United States) for any international air transportation, if the transportation begins or ends in the United States, generally is \$17.20. Under § 4261(c)(3), however, a lower amount applies under § 4261(c)(1) to a domestic segment beginning or ending in Alaska or Hawaii, and the tax applies only to departures. For calendar year 2013, the rate is \$8.60.

.22 *Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures.* For taxable years beginning in 2013, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547), regarding certain exempt organizations with nondeductible lobbying expenditures, is \$108 or less.

.23 *Notice of Large Gifts Received from Foreign Persons.* For taxable years beginning in 2013, § 6039F authorizes the Treasury Department and the Internal Revenue Service to require recipients of gifts from certain foreign persons to report these gifts if the aggregate value of gifts received in the taxable year exceeds \$15,102.

.24 *Persons Against Whom a Federal Tax Lien Is Not Valid.* For calendar year 2013, a federal tax lien is not valid against (1) certain purchasers under § 6323(b)(4)

who purchased personal property in a casual sale for less than \$1,470, or (2) a mechanic's lienor under § 6323(b)(7) who repaired or improved certain residential property if the contract price with the owner is not more than \$7,350.

.25 *Property Exempt from Levy.* For calendar year 2013, the value of property exempt from levy under § 6334(a)(2) (fuel, provisions, furniture, and other household personal effects, as well as arms for personal use, livestock, and poultry) cannot exceed \$8,790. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) cannot exceed \$4,400.

.26 *Interest on a Certain Portion of the Estate Tax Payable in Installments.* For an estate of a decedent dying in calendar year 2013, the dollar amount used to determine the "2-percent portion" (for purposes of calculating interest under § 6601(j)) of the estate tax extended as provided in § 6166 is \$1,430,000.

.27 *Attorney Fee Awards.* For fees incurred in calendar year 2013, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$190 per hour.

.28 *Periodic Payments Received under Qualified Long-Term Care Insurance*

Contracts or under Certain Life Insurance Contracts. For calendar year 2013, the stated dollar amount of the *per diem* limitation under § 7702B(d)(4), regarding periodic payments received under a qualified long-term care insurance contract or periodic payments received under a life insurance contract that are treated as paid by reason of the death of a chronically ill individual, is \$320.

SECTION 4. EFFECTIVE DATE

.01 *General Rule.* Except as provided in section 4.02, this revenue procedure applies to taxable years beginning in 2013.

.02 *Calendar Year Rule.* This revenue procedure applies to transactions or events occurring in calendar year 2013 for purposes of sections 3.02 (rehabilitation expenditures treated as separate new building), 3.03 (low-income housing credit), 3.05 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 3.07 (private activity bonds volume cap), 3.08 (loan limits on agricultural bonds), 3.09 (general arbitrage rebate rules), 3.10 (safe harbor rules for broker commissions on guaranteed investment contracts or in-

vestments purchased for a yield restricted defeasance escrow), 3.15 (expatriation to avoid tax), 3.18 (valuation of qualified real property in decedent's gross estate), 3.19 (annual exclusion for gifts), 3.20 (tax on arrow shafts), 3.21 (passenger air transportation excise tax), 3.24 (persons against whom a federal tax lien is not valid), 3.25 (property exempt from levy), 3.26 (interest on a certain portion of the estate tax payable in installments), 3.27 (attorney fee awards), and 3.28 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts).

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is William Ruane of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ruane at (202) 622-4920 (not a toll-free call).

Part IV. Items of General Interest

Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2012-37

The Internal Revenue Service has revoked its determination that the organizations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and orga-

nizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on November 5, 2012, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

American Lithuanian Childcare Association
Chicago, IL

Angel Wings Foundation
Orem, UT

Concord International High School, Inc.
Los Angeles, CA

Contra Costa Amateur Cheerleading Association, Inc.
Concord, CA

Golden Rain Foundation of Laguna Woods
Laguna Woods, CA

Grandma's Child Care
Cassopolis, MI

Holy Cross Canoga Park
Canoga Park, CA

Innovation Treatment Centers, Inc.
Rialto, CA

Pacific Epilepsy Society
Puunene, HI

Play 4 Life, Inc.
New York, NY

Scruggs & Associates Family Counseling Center, Inc.
Stafford, TX

Social and Economic Rights Action Center
Gaithersburg, MD

Social and Economic Rights Action Center
Washington, DC

The Retired Enlisted Association Incorporated Auxiliary #47
Fayetteville, NC

Treasures for the Kingdom
Allen, TX

World Health and Education Foundation
Danville, CA

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.

ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.

PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2012–1 through 2012–26 is in Internal Revenue Bulletin 2012–26, dated June 25, 2012.

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¹ A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2012–1 through 2012–26 is in Internal Revenue Bulletin 2012–26, dated June 25, 2012.

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